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## **Law No (27) of 2017 promulgating the Real Estate Regulatory Law**

We, Hamad bin Isa Al Khalifa, King of the Kingdom of Bahrain.

Having reviewed the Constitution,

Civil and Commercial Procedures Law promulgated by Legislative Decree No. (12) of 1971 as amended;

Legislative Decree No. (14) of 1971 regarding Notarization;

Legislative Decree No. (3) of 1972 regarding the Judicial Fees as amended;

Legislative Decree No. (14) of 1973 regarding the Regulation of Notification;

Penal Code promulgated by Legislative Decree No. (15) of 1976, as amended;

Legislative Decree No (21) of 1976 regulating the Real Estate Brokerage Profession;

Regulation of Buildings Law, promulgated by Legislative Decree No. (13) of 1977 as amended;

Legislative Decree No. (2) of 1994 regarding the Urban Planning, as amended by Law No. (6) of 2005;

Legislative Decree No. (3) of 1994 regarding the Division of Lands Intended for Construction and Development, as amended by Law No. (6) of 2005;

Legislative Decree No. (40) of 1999 regarding the Ownership of Built Real Estate and Land in the State of Bahrain by Citizens of the Gulf Cooperation Council;

Legislative Decree No. (2) of 2001 regarding Ownership by Non-Bahrainis of Built Real Estate and Land;

Civil Law, promulgated by Legislative Decree No. (19) of 2001;

Commercial Companies Law promulgated by Legislative Decree No. (21) of 2001 as amended;

Municipal Law promulgated by Legislative Decree No. (35) of 2001, as amended;

Judicial Authority Law promulgated by Legislative Decree No. (42) of 2002 as amended;

Criminal Procedures Law promulgated by Legislative Decree No. (46) of 2002, as amended;

Central Bank of Bahrain and the Financial Institutions Law promulgated by Law No. (64) of 2006, as amended;

Legislative Decree No. (30) of 2009 regarding the Bahrain Chamber for Dispute Resolution on Economic, Financial and Investment Disputes, as amended by Legislative Decree No. (64) of 2014,

Real Estate Registration Law promulgated by Law No. (13) of 2013;

Law No. (28) of 2014 regarding the Real Estate Development;

Law No. (51) of 2014 regarding Regulating the Practice of Engineering Professions;

and Legislative Decree No. (25) of 2015 regarding the Collection of Costs of Constructing and Developing Infrastructure in Construction Projects;

The Shura Council and the Council of Representatives have approved the following law, which we have ratified and enacted:

### **Article One**

The provisions of the attached Law shall apply in respect of the organization of the Real Estate Sector.

## **Article Two**

- 1- Legislative Decree No (21) of 1976 regulating the Real Estate Brokerage Profession shall be repealed.
- 2- The provisions of Ownership of Stories and Apartments, provided for in Articles (814) to (843) of the Civil Law, promulgated by Legislative Decree No. (19) of 2001, shall be repealed.
- 3- Law No. (28) of 2014 regarding the Real Estate Development shall be repealed.
- 4- Any text that contradicts the provisions of the attached Law shall be repealed.

## **Article Three**

The Prime Minister and the Ministers -each within his jurisdiction- shall implement the provisions of this Law and it shall come into force on the first day of the month following the lapse of six months from the date of its publication in the Official Gazette, except that the provisions of part one of this Law shall come into force on the first day of the following month after the date of its publication.

## **King of Kingdom of Bahrain**

**Hamad bin Isa Al Khalifa**

Issued at Riffa Palace:

On: 4 Dhu al-Qi'dah 1438 A.H.

Corresponding to: 27 July 2017

## **Real Estate Sector Regulation Law**

### **Preliminary Part**

### **Definitions and Scope of Application of the Law**

#### **Article (1)**

## **Definitions**

In applying the provisions of this Law the following words and expressions shall have the meanings assigned to them, unless the context requires otherwise:

**Kingdom:** The Kingdom of Bahrain.

**Minister:** The minister who is designated by a Decision issued by the Prime Minister .

**Organization:** The Real Property Organization established in implementation of the provisions of Article (3) of this Law.

**Board of Directors or the Board:** The Organization's Board of Directors.

**Chairman of the Board:** The Chairman of the Board of Directors.

**Chief Executive:** The Organization's Chief Executive.

**Bureau:** Survey and Land Registration Bureau.

**Land Register:** The register created by virtue of the provisions of the Land Registration Law promulgated by Law No. (13) of 2013.

**Property Development:** Off-plan sale projects and real property development project works which are specified in a decision by the Prime Minister and such Decision shall be published in the Official Gazette.

**Developer:** The main developer or the sub-developer.

**Main Developer:** The natural person or corporate entity licensed to engage in different property development activities, such as construction and off-plan sale, and who entrusts one sub-developer or more to develop one independent part, or more, of a property development project.

**Sub-Developer:** The natural person or corporate body licensed to engage in property development activities who is entrusted by the main developer, under an agreement between them, to develop an independent part of a property development project.

**Off-Plan Sale:** Sale of apportioned property units off plan before they are constructed or completely built.

**Escrow Account:** A bank account in the name of the real property development project to deposit amounts or bank guarantees by the developer and the depositors and is allocated for the construction and execution of the development project.

**Escrow Account Trustee:** One of the banks licensed by the Central Bank of Bahrain to undertake administration of the escrow account.

**Depositors:** The owners of the cash shares, including the developer, fund provider, buyer, bank or a creditor financial institution of the property development project.

**Property Brokerage:** Brokerage and seeking to conclude contracts involving built and non-built properties, in accordance with the provisions of this Law.

**Real Estate Valuation:** The process of evaluating and determining the market value of built and non-built real estate, in accordance with the provisions of this Law.

**Common Real Estate:** The entire building or any part thereof or the land or both, any of which is apportioned into units intended for independent ownership or utilization.

and a portion of that building or land is designated as common parts

**Real Estate Unit or Unit:** The apportioned part of the property held in common, which includes any apportioned part off the plan, or any flat,

storey or part of land or house (villa) connected with another house or is independently part of a common property.

**Common Parts:** The parts held in common of the common property allocated for common use by all owners and occupants of the property units in the plan of the location of the real estate.

**Real estate Location Plan:** The plan registered in the Real Estate Register specifying the units and their common parts.

**Main Regulation:** The terms and conditions organizing the development and management of the common property.

**Owners' Union:** The Union established by owners of the real estate units located in a common property in accordance with the provisions of this Law, and which aims at ensuring good use of the common property and property units and the use and maintenance of the common parts by the owners in pursuance of the provisions of this Law.

**Main Owners' Union:** Union that is formed from a group of owners' unions in the real estate development project in accordance with the provisions of this Law

**Central Owners' Union:** Union that is formed from a group of owners' unions in the real estate development project in accordance with the provisions of this law

**Articles of Association of the Owners' Union:** The rules and regulations organizing the Owners' Union, issued in pursuance of the provisions of this Law.

**Occupant:** The tenant of the real estate unit or the resident or worker therein who is not the owner or from the owners of property rights.

**Utility Services:** They include water, gas, electricity, air conditioning and telephone services, computer cables, television, internet, sewerage,

rainwater drainage and removal or disposal of refuse or waste, delivery of mail, parcels or goods, and any other system or service allocated for the improvement of utilities in the common units and parts.

**Usufruct Right of a Real Estate:** Real estate right in rem entitles the owner to use and exploit the real estate or property unit in accordance with the provisions of this Law.

**Property Utilisation Development Right:** A real estate right in rem that entitles the owner of the right to erect facilities or buildings on the property of another for a limited period.

**Long-term leasing:** A real estate right in rem of which period is not less than ten years and not more than ninety-nine years, unless it is agreed to be renewed.

**Mortgage:** A contract whereby the creditor gains a real right over a property existing either actually or constructively, whereby he may have a higher rank than ordinary creditors or next creditors in rank to collect his right from such property, whoever its owner may be.

**Mortgagor:** The owner of the real estate, owner of the right in rem or owner of the personal right under the sale contract signed with the owner of the off-plan sold property and registered in the Register of Property Development Projects.

**Mortgagee:** The creditor who gains a right in rem over a property existing either actually or constructively to secure payment of his debt.

## **Article (2)**

### **Scope of Application of the Law**

The provisions of this Law shall apply to common properties, property development, and all activities of the real estate sector.

## **Part One**



# **Real estate regulation organization**

## **Chapter one**

### **Setting up the Organization, its Functions, Terms and Reference and Finance**

#### **Article (3)**

##### **Setting up the Organization**

An organisation called (Property Regulation Organization) shall be set up, which shall have a corporate character, and attached to the Bureau. A Decree shall be promulgated organizing it and forming its Board of Directors and determining its terms of reference and the mechanism of appointing the Chief Executive and determining his terms of reference and all matters related to the organisation. The board of directors shall include representatives of the real estate sector who are licensed by law

#### **Article (4)**

##### **Organisation's Functions and Terms of Reference**

A- The Organisation shall undertake all functions and powers necessary to organize the real estate sector in the Kingdom. For this purpose, it shall carry out the following:

1- Drawing up and implementing a national plan in respect of organizing the real estate sector including the general strategy and policy in respect of the sector, with due regard to the State's approach and the economic and social development plans, which shall be published in the Official Gazette.

2- Collecting and analysing data, information and statistics related to the organization of the real estate sector in the Kingdom, so that the organisation shall become a main source of accurate data, information

and statistics in respect of the real estate sector in the Kingdom. The Organisation shall seek to update such data on a regular and continuous basis in a manner representing the actual situation of the real estate sector in the Kingdom. The Organisation shall, in this respect, prepare reports to be published using appropriate methods specified by the Board of Directors, in a manner enabling the general public to access them.

3- Proposing programmes and policies which would promote the real estate sector in matters which are outside the scope of the Organisation's terms of reference, and providing the concerned authorities with such programmes and policies.

4- Educating the practitioners of the real estate sector and providing them with guidance.

5- Laying down rules, issuing implementing regulations and decisions necessary to implement the provisions of this Law, including the rules, regulations and decisions determining the following:

a) The rules and procedures for granting and renewing licenses for the real estate sector activities and determining their classes and the conditions applying to each of them and the validity period of such licenses and all matters related thereto.

b) The rules and procedures for granting and renewing licenses of the real estate development projects and the terms and conditions applying to each of them and the validity period of such licenses and all matters related thereto.

c) The rules and procedures for granting the developer licenses to conduct the business of real estate development and renewing them and the terms and conditions applying to each of them and the validity period of such licenses and all matters related thereto.

- d) The requirements of conducting inspection to ascertain the implementation of the provisions of this Law and the regulations and decisions issued for its implementation.
- e) The records which the licensees in the real estate sector must maintain, and the particulars and information to be recorded therein.
- f) The rules and procedures of opening and administering the escrow account of the real estate development project and the approval of the escrow account's trustee.

6- Proposing and collecting the fees levied on the permits for real estate activities and development projects, real estate brokerage offices, companies dealing in the management and maintenance of the real estate and the fees for their renewal.

7- Monitoring the extent of compliance with the provisions of this Law and the rules, regulations and decisions issued to implement it and taking measures in accordance with these provisions which ensure compliance therewith and with the terms and conditions of the permits issued.

8- Acting as a central point through which all applications are submitted and collecting all fees related to the permits issued in pursuance of the provisions of this Law, all this in co-ordination with the concerned authorities.

9- Working with the related parties to simplify the procedures related to the permits for real estate development projects.

10- Organizing training and educational courses and programmes to spread awareness of the provisions of this Law and disseminating culture about all sectors of the real estate sector and conducting and supporting research and studies in this field and seeking to benefit from their outcomes.

- 11- Representing the Kingdom at local, regional and international conferences related to the real estate sector.
- 12- Co-operating with counter parties in other countries for matters of common interest.
- 13- Giving opinions on draft laws related to the real estate sector and the regulations and orders issued by other parties related to the sector.
- 14- Examining the related laws and regulations in force to determine whether they contain any provisions obstructing the advancement of the real sector or otherwise and submitting proposals on how to amend them.
- 15- Receiving reports and complaints related to the contravention of the provisions of this Law and examining them and determining whether they are well-founded or not.
- 16- Carrying out other functions and powers provided for in this Law.

B- In case the Organization wishes to issue any regulations or take any measures of tangible effect, it must conduct consultations with the public and the concerned authorities to seek their opinions before issuing any such regulations or taking any such measures. The Council of Ministers shall issue a decision with respect to the organization of such consultations which would ensure access by the general public to the details of the ongoing consultations and the opinions which have been deliberated, through a one stop-information point.

C- It is permissible, by virtue of a decision issued by the Prime Minister, upon the Organization's request, to delegate some appropriate functions to any of the government authorities, including collection of the fees due in accordance with the provisions of this law.

The Organization may, in the course of carrying out its functions, seek the assistance of whoever it deems necessary from those who have

suitable qualifications and experience from among individuals, committees and non-government parties.

In case the task of collecting fees is delegated to a non-government party, this must be published in the Official Gazette.

## **Article (5)**

### **Organization's Budget and Financial Resources**

A- The Organization shall have an independent budget. Its financial year shall commence at the beginning of the State's financial year and shall end on its expiry date.

B- The Organization's financial resources shall consist of the following:

- 1- The appropriations allocated for it in the State's General Budget.
- 2- The proceeds of fees and revenues for the permits and any services rendered by the Organization, without prejudice to the provisions of Paragraph (C) of this Article.
- 3- The fines collected by the Organization for contravening the provisions of this Law.
- 4- The donations, subsidies and any other resources accepted by the Board of Directors without conflicting with the Organization's objectives.

C- The Organization shall deduct, from the total fees collected, the percentage which is determined by a Decision of the Council of Ministers. The Organization may retain the deducted percentage, or part thereof, to finance its future projects, after co-ordination with the Ministry of Finance and the approval of the Council of Ministers' approval.

D- Without prejudice to the provisions of Paragraph (C) of this Article, the excess budget from all the financial resources referred to in Paragraph (B) of this Article shall be transferred to the General Budget for the financial year just ended.

## **Chapter Two**

### **Control**

#### **Article (6)**

##### **The Minister Responsible for the Organization's Activities**

The Minister shall be responsible for the Organization's activities before the Legislative Authority.

The Minister shall have the right to object to the Organization's resolutions within the limits defined by the Council of Ministers.

## **Chapter Three**

### **Grievance against Decisions and deciding on Real Estate Disputes**

#### **Article (7)**

##### **Appeal against Decisions**

A- Any interested party may submit grievance against any decision issued in pursuance of this Law, within thirty days from the date of his notification of this decision. The grievance must be filed with the Board of Directors against the decisions issued by the Board, other decisions may be appealed against before the Chief Executive. The grievance must be decided on and the appellant notified of the outcome within thirty days from the date of its submission. The grievant may appeal against the decision rejecting the grievance before the competent court within thirty days from the date of being notified of the decision, or the expiry of the time for deciding on the grievance without notifying the grievant of the outcome of his grievance.

B- No appeal may be submitted to the court except after the grievance against the decision is filed and a decision rejecting the grievance is issued or the expiry of the period referred to in the preceding paragraph without notification.

## **Article (8)**

### **Powers of Bahrain Chamber for Dispute Resolution on Economic, Investment and Financial Disputes**

A- Without prejudice to the provisions of Paragraph (C) of this Article, Bahrain Chamber for Dispute Resolution on Economic, Investment and Financial Disputes shall have the power to resolve, on an urgent basis, the following real estate disputes if the claim amount is in exceeds five hundred thousand Bahraini dinars:

1- Dispute arising out of off-plan sale, usufruct rights, utilization and development rights or long-term lease rights or the lease to own rights or lease rights.

2- Disputes related to the Owners' Union.

3- Any disputes arising out of real estate works or projects or real estate rights determined by a decision of the Board of Directors. Such decision shall be published in the Official Gazette.

B- The provisions of Legislative Decree No. (30) of 2009 with respect to Bahrain Chamber for Dispute Resolution of Economic, Financial and Investment Disputes, and the regulations and decisions issued for its implementation shall apply to the disputes provided for in the provisions of Paragraph (A) of this Article.

C- The Organization may form conciliation committees for conciliation and for resolving the real estate disputes amicably. Such committees shall undertake decision of the real estate dispute through amicable means before it is heard by the Bahrain Chamber for Dispute Resolution of Economic, Investment and Financial Disputes or by the competent court, as the case may be, within three months from the date of referral of the dispute to it. A decision shall be issued by the Board of Directors

organizing all the procedures, rules and fees of the conciliation committees and such other issues.

## **Chapter Four**

### **Inspection, Judiciary investigation Powers, Investigation and Accountability**

#### **Article (9)**

##### **Inspection and Judicial Investigation Powers**

A- Inspectors mandated by the Chief Executive from among the Organization's staff, or others, to carry out inspection duties to ascertain the implementation of the provisions of this Law shall have the following powers:

1- Entering upon places related to the Organization's powers to examine and inspect them and access the files, records, books, documents and particulars available at them and obtaining copies thereof.

2- Hearing the statements of everyone who is suspected to have something to do with the investigation subject from among those working in the places referred to under Clause (1) of this Paragraph.

B- The Organization's employees designated by the Minister concerned with Justice Affairs, in conjunction with the Chairman of the Board of Directors, shall have the power of judicial investigation officer in crimes provided for in this Law, which fall under their jurisdictions and related to their duties.

C- Inspectors referred to in any of Paragraph (A) or (B) of this Article may not access the places designated for residence without obtaining a permit therefor from the Public Prosecution.

D- A mandated inspector must have a professional experience, specialization and proficiency.



## **Article (10)**

### **Initiating Investigation**

A- The Organization may conduct an administrative investigation, of its own instance or upon well-founded reports or complaints, to verify any violation of the provisions of this Law, or otherwise. It may conduct an investigation if it has strong evidence making it believe that the violation is imminent.

B- The Organization may seek from those licensed to engage in the real estate sector's activities or real estate development projects all the particulars, clarifications and documents, including the confidential particulars, if it decides that they are necessary to complete the investigation. The Organization may also, in the course of performing its work, delegate any of the judicial investigation officers referred to under Paragraph (B) of Article (9) of this Law, to carry out any of the tasks they are delegated to perform.

C- A decision shall be issued by the Board of Directors organizing the procedures of investigation and the time limits to be adhered to and the rules of notifying those licensed to engage in real estate activities or real estate projects of the violations attributed to them, coupled with all the evidence, presumptions and information and the rules of affording a fair chance to all parties concerned with investigation to defend their interests, including convening hearings, cross examining the concerned parties and their witnesses and enabling them to project their views and submit their pleas, whether written or oral. The concerned parties shall have the right to seek assistance of their counsels in all investigation hearings and procedures.

## **Article (11)**

### **Measures Which May be Taken When the Violation is Established**

A- Without prejudice to civil or criminal liability, when a violation is proved, the Organization shall order the violator to stop the violation and remove the reasons therefor and the effects thereof immediately or during a time limit specified by the Organization. In case of non-compliance of this order within the specified time limit, the Organization may issue an adequately reasoned decision taking one of the following measures:

1- revoke the license issued by the Organization in accordance with the provisions of this Law, in case the violation is related to this license.

2- Imposing a threatening fine calculated on a daily basis to make the violator stop the violation and remove the reasons therefor or effects thereof, which shall not exceed one thousand Bahraini Dinars daily when the violator commits the violation for the first time, and two-thousand Bahraini Dinars in case the violator commits any other violation within three years from the date of issuing a decision against it for the previous violation. In all cases, the total fine may not exceed two-thousand Bahraini Dinars.

3- Imposing an aggregate fine of not more than twenty-thousand Bahraini Dinars.

B-In the two cases provided for under Clauses (2) and (3) of Paragraph (A) of this Article, when assessing the fine, the gravity of the violation and the obstinacy shown by the violator, the benefits it has obtained and the damages which have been suffered by third parties as a result thereof shall be taken into consideration. Collection of the fine shall be made by using the methods prescribed for collecting amounts due to the State.

C- The Organization may publish a statement of the violation which is proved to have been committed by the violator, using the method and

manner determined in the decision and in a way commensurate with the gravity of the violator. provided that publication shall not be made except after the expiry of the time limit for the appeal against the Organization's decision establishing the violation or after a court judgement is passed establishing the violation, as the case may be.

D- If the Organization decides that investigation has resulted in the existence of a criminal offence, it shall refer the papers to the Public Prosecution.

## **Article (12)**

### **Emergency Cases**

A- The Organization may, in emergency cases, upon an order by the Organization's Chief Executive, once it establishes that there are strong signals that the licensee's continued conduct in a certain way may lead to an unavoidable damage later on, issue a reasoned decision as follows:

1- Placing restrictions on, or requirements for, the services rendered by the licensee to engage in real estate activities or real estate development projects.

2- Temporarily suspend certain activities of the licensee to engage in real estate activities or real estate development projects for a period not exceeding three months.

B- The Organization shall issue the decision in any of the cases provided for in Paragraph (A) of this Article, after accessing the papers and hearing the statements of every related party and the licensee and giving them an opportunity to project their views and submit their pleas and any documents, papers, evidence or presumptions supporting their points of view, all this within the time limits and in accordance with the procedures determined by a decision of the Board of Directors.

## **Part Two**

### **Real Estate Activities**

#### **Chapter one**

### **Real Estate Developers**

#### **Article (13)**

##### **Licensing Developers**

A- The activities of real estate development in the Kingdom may not be undertaken unless the developer is licensed. Licensing developers to conduct the activities of real estate activities shall be in accordance with the rules and conditions laid down in a decision issued by the Board of Directors.

B- Such decision shall organize the conditions, requirements and procedures for granting, renewing and amending developers' licenses and their types, classes and validity periods.

C- A developer shall comply, in undertaking property development activities, with the limits of the license issued for it.

#### **Article (14)**

##### **Developers' Register**

The Organization shall maintain a register called (Developers Register), which shall be a paper or electronic register in which all particulars and information related to the developers shall be entered.

A decision shall be issued by the Board of Directors specifying the particulars and information to be entered in the paper or electronic register, and the guarantees to be available in the register to ensure protection of the particulars and information recorded therein and any changes occurring to such particulars or information.

The developer shall notify the Organization of any change to the particulars and information recorded in the Register within the time limit determined in a decision by the Board of Directors.

The Register shall be accessible to the general public and available to the general public to access it and obtain certified copies of the information recorded therein or a negative certificate that a certain thing is not included in it, after paying the prescribed fees.

## **Article (15)**

### **Developers' Obligations and Duties**

A- A decision shall be issued by the Board of Directors organizing the developers' work, duties and obligations and the code of conduct which they must comply with.

B- Every developer shall maintain records of its works at its headquarters, particularly the register in which it will be recorded all details of operations it has carried out and the amounts it has charged, the price of the transaction, date of conducting it and the personal details of the contracting parties, and such other information or details specified in a decision issued by the Board of Directors. The developer must submit its records to the Organization for a notation at the end of every financial year or during the time limit specified by a decision of the Board of Directors.

C- The developer shall create an escrow account for real estate development projects which are specified by a decision of the Board of Directors.

D- A decision shall be issued by the Board of Directors, in conjunction with the CBB for the rules, regulations and requirements which should be complied with when creating and administering the escrow account referred to under Paragraph (C) of this Article.

E- No attachment may be placed on the amounts deposited in the escrow account referred to under Paragraph (C) of this Article in favour of the developer's creditors, nor may the development project be included in the creditors' general security in case the developer is adjudged bankrupt, except for meeting the obligations related to the project, including the buyers' rights.

## **Article (16)**

### **Change of the Developer's Legal Status**

With due regard to the provisions of the Commercial Companies Law, promulgated by Legislative Decree No. (21) of 2001, the developer's legal status may not be changed, whether the developer is a natural person or corporate body, except after the execution of the real estate development project and its delivery. However, such change may be made with the Organization's consent if this would serve the project's interest, and without prejudice to the depositors' rights or the guarantees for completion of the project.

## **Article (17)**

### **Conflict of Interest**

A- The developer shall, when conducting its business activities, disclose to the customer, in writing, whether it has a direct or indirect interest that conflicts with the requirements of its work.

B- A decision shall be issued by the Board of Directors organizing all issues related to the conflict of interest and the circumstances which should be disclosed.

## **Chapter Two**

### **Off-Plan Sale**

## **Article (18)**

## **License for the Off-Plan Sale Project**

A- The developer may not commence on an off-plan project or offer units off plan save after obtaining a license for the off-plan sale project and registering it in the Register referred to under Article (19) of this Law.

B- The Board of Directors may issue a special regulation for small off-plan sale projects, and the provisions of this Chapter of the Law shall apply to such projects in matters not provided for in such regulation.

C- Without prejudice to the provisions governing civil and commercial liability, whoever raises funds in contravention of the provisions of Paragraph (A) of this Article shall refund them to their owners within a reasonable period not exceeding six months.

## **Article (19)**

### **Off-Plan Sale Projects Register**

A- A register shall be created at the Organization, under the name of (Off-Plan Sale Projects Register), which shall be a paper or electronic register in which the off-plan real estate sale projects shall be recorded, together with the particulars and information related thereto, particularly the following:

- 1- The particulars related to the project's developers and the sub-developer, if any, and its rights and obligations towards the main developer, which would affect the buyers' rights and obligations.
- 2- The license issued to the off-plan sale project.
- 3- The particulars, plans, specifications, designs and drawings related to the off-plan sale project.

4- Any directive, restriction, requirement, arrangement or penalty issued by the Organization or any competent authority related to the off-plan sale project.

5- The particulars and details related to the escrow account or any financial guarantees or funding methods related to the off-plan sale project.

6- The main in-kind and ancillary rights resulting from the project, and any change that may occur to its ownership or to the developers undertaking it, or such other issues.

7- Any other particulars or information specified by a decision of the Board of Directors.

B- A decision shall be issued by the Board of Directors organizing a register for registering off-plan sale projects and the conditions and procedures of registration therein.

C- The Organization shall notify the developer of any particulars and information related to its project entered into the register within a period not exceeding seven working days.

D- The developer shall notify the Organization, on the form designated for this purpose, of any incorrect or inaccurate particulars or information registered in the register within a period not exceeding ten working days from the date of his knowledge thereof.

E- The Register shall be available to the public to access it and obtain certified copies of the particulars and information recorded therein or a negative certificate that a certain matter is not listed therein, after payment of the prescribed fees.

## **Article (20)**

### **Procedures of Obtaining a License for an Off-Plan Sale Project**



A- The developer shall submit to the Organization an application to obtain a license for the off-plan sale project, using the form designated therefor, accompanied with the following documents:

1- The title deed of the land or anything in lieu thereof, free of any real rights, or with the consent of the owners of the real right to execute the project and sell its units.

2- The approved constructional and architectural engineering designs.

3- A copy of the Articles of Association stating the stages of execution and completion of the project and any arrangements or division of the project.

4- The building permit in pursuance of the provisions of the Law for the Organization of Buildings.

5- Anything which indicates a notation of the off-plan sale project in the land's journal in the Land Register.

6- A copy of the agreement concluded between the developers concerned with the off-plan sale project.

7- The information and documents stipulated by the Organization related to the connection between the off-plan sale project and the completion of the main plan, infrastructure and public utilities.

8- A detailed programme of the constructional and architectural works and the service works related to the off-plan sale project.

9- A letter from a licensed consultant engineer licensed by the Council for Organizing the Engineering Professional Practice specifying the estimated value of the off-plan sale project.

10- The main particulars related to the methods of funding the off-plan sale project.

11- Other documents, information and particulars determined by a decision of the Board of Directors.

B- The developer shall be liable for the safety of all documents, information and particulars submitted to obtain the license.

C- A decision shall be issued by the Board of Directors specifying the conditions, requirements and procedures of obtaining the license for the off-plan sale project and its renewal and amendment.

D- Notwithstanding the provisions of Article (10) of this Law, the Organization may withdraw the license if it establishes that the developer is not executing the off-plan sale project in a serious way, in accordance with the rules, requirements and procedures specified by an a decision of the Board of Directors.

## **Article (21)**

### **Notation of the Off-Plan Sale Project in the Land Registry**

A- A notation must be made of the off-plan sale project in the land's journal in the Land Register, and the developer must submit to the Organization evidence of such notation before obtaining the final license for the project. The Bureau shall not change this notation without the Organization's approval or by virtue of a court order.

B- A notation must be made in the journal of the land owned by the main developer of the agreements entered into between it and the sub-developer.

## **Article (22)**

### **Methods of Financing the Off-Plan Sale Project**

A- The Board of Directors shall determine, by a decision issued by it, after obtaining the opinion of the Central Bank of Bahrain, the methods of

financing the off-plan sale projects and the percentages of the financial deposits or the bank guarantees of the estimated value of the project.

B- The developer may not rely entirely on the funds and amounts received from the buyers of the off-plan property units in financing the project.

B- The Board of Directors shall, after obtaining the opinion of the Central Bank of Bahrain, determine the percentage of the estimated value of the off-plan sale projects which the developer may not exceed to obtain funding from the amounts received from the buyers.

## **Article (23)**

### **Mortgaging the Off-Plan Sale Project**

If the developer mortgages the off-plan sale project to obtain a loan from a financing Organisation licensed by the of the Central Bank of Bahrain, such Organisation shall deposit the loan amount in the project's escrow amount to be disposed of in pursuance of the provisions of this Law and the decisions issued to implement it.

## **Article (24)**

### **Creation of the Off-Plan Sale Escrow Account**

A- An independent escrow amount shall be created in the name of each project of the off-plan sale projects, by virtue of a written consent between the developer and the escrow amount trustee to organize the financial affairs of the project and deposit the amounts provided by the developer and the depositors. Such agreement shall determine the requirements for administering the account and the parties' rights and obligations, and a copy thereof shall be lodged with the Organization.

B- The Central Bank of Bahrain shall, in conjunction with the Organization, issue the rules organizing the conduct of the activities of

the escrow account's trustee and the conditions and the methods of appointing it and its powers, obligations, responsibilities and the procedures of deposit, disbursement and control over the account.

C- The escrow account trustee shall provide the Organization with regular statements of the revenues and payments of the project's escrow account, and the Organization may, at any time, require the escrow account trustee to provide it with the information or particulars which it deems necessary to be accessed. The Organization may seek the assistance of whoever it deems suitable to audit such statements or particulars.

D- The Organization shall maintain a register called (Register of Trustees of Escrow Accounts for Off-Plan Sale Projects), which shall be a paper or electronic register in which the names of trustees of each escrow account for each off-plan sale project under way shall be registered. A decision shall be issued by the Board of Directors specifying the conditions and procedures of registration in this Register and the right to access the particulars and information contained therein.

## **Article (25)**

### **Means of Spending from the Escrow Account**

A- The escrow account shall be exclusively allocated for spending on the purposes of constructing, executing and managing the off-plan sale project. No attachment may be placed on the amounts deposited in the escrow account in favour of the developer's creditors, nor may the development project be included in the creditors' general security in case the developer is adjudged bankrupt, except for meeting the obligations related to the project, including the buyers' rights.

B- The escrow account's trustee shall retain a percentage of the constructional value of the project, to be specified by a decision of the

Board of Directors, after the developer obtains the completion certificate. Such percentage may not be paid to the developer before the lapse of one year from the date of handing over the last unit to the buyers in pursuance of the provisions of Article (13) of this Law.

C- The Board of Directors may, subject to the approval of the Central Bank of Bahrain, specify the requirements and conditions whereby an instalment of profits may be paid to the developers from the escrow account. In all cases, the profits received by the developer shall be refunded within one year from the date of receiving them if this leads to the stalling or suspension of the project.

## **Article (26)**

### **Disposal of the Off-Plan Sale Project**

Without prejudice to the depositors' rights, the Board of Directors shall organize the conditions and requirements which the developer shall comply with in disposing of the off-plan sale project.

## **Article (27)**

### **Off-Plan Sale Register**

A- A register shall be created at the Bureau called (Off-Plan Sale Register), which shall be a paper or electronic register, and an order for organizing it and for the procedures of registering therein and for deleting the registration therefrom shall be issued by the President of the Bureau, in conjunction with the Organization. The developer shall register in it the following particulars:

- 1- The license for the off-plan sale project.
- 2- The units included in the development license.
- 3- Sale contracts for the units, and all acts of conveyance made to the rights arising out of the sale contract.

4- A detailed statement of any entry which the Law stipulates to be made in the property's journal.

5- Any other particulars determined by a decision of the President of the Bureau in conjunction with the Organization.

B) In all cases, the alienator of the unit shall be liable to register alienation in the register referred to in paragraph (a) of this article.

Otherwise, unless the president of the Bureau, in coordination with the Organisation, decides otherwise, the said alienator may do whatever is necessary to register alienation in the said record at his own.

## **Article (28)**

### **Advertisement**

A- The developer or the licensee for conducting the business of real estate brokerage may not advertise in the local or foreign media, using any advertising medium, including newspapers, websites or participation in exhibitions inside the Kingdom or elsewhere, to promote the sale of the off-plan property units save after such units are registered in the Register referred to in the preceding Article of this Law and after obtaining a license to advertise from the Organization and the concerned authorities.

B- The Board of Directors shall issue a decision organizing the rules and requirements for advertising or participation in the exhibitions, and the cases exempted from the condition of registering the units and the license, for the purpose of conducting market studies for the project and such other purposes.

## **Article (29)**

### **Off-Plan Sale Contracts**

A- The Board of Directors may issue a decision organizing the terms, conditions and details of the preliminary sale contracts for preliminary off-plan sale contracts for property units, provided that such decision shall contain the following details:

1- The terms and conditions related to how to conclude sale contract.

2- The terms and conditions, information and details which must be included in the sale contracts, including the mutual obligations and rights between the project's main developer and the sub-contractor, if any, which would affect the buyer's rights and obligations.

3- The conditions and obligations which may not be included in the sale contracts.

4- The controls and limitations on the security amount to book the property unit and the method of retaining the security deposit and its use and the conditions under which the developer must refund it to the party making the booking.

5- The time limit or the time limits during which the buyer may exercise the option of opting out of the contract and the amount of the expenses or indemnity which the developer undertakes to pay when exercising the opt-out option, unless agreed otherwise.

6- Imposing restrictions on the table of payments of the instalments related to the property units, according to the stages of progress of the project.

7- The date of completion by the developer of the property unit and handing it over to the buyer.

8- The circumstances under which the developer or the buyer may revoke the contract and the percentage of the fines due from the violating party, without prejudice to the right to compensation for damages.

9- The terms and conditions related to the common parts.

10- Any other particulars, rules or conditions issued in an order by the Board of Directors.

B- The Board of Directors may issue, in certain types of off-plan sale projects, sale contract forms for their property units. The developer may not amend their terms and conditions except to the extent allowed by such forms.

C- The terms and conditions contained in the off-plan sale contracts shall be invalid towards the buyer if they are inconsistent with the provisions of Paragraph (A) of this Article or with the sale contract forms referred to under Paragraph (B) of this Article.

## **Article (30)**

### **Execution of the Off-Plan Sale Project**

The developer shall execute the off-plan sale project in accordance with the approved constructional and architectural engineering designs and the documents on the basis of which the license has been issued.

No amendment may be made to the project unless such amendment is not substantial due to acceptable engineering or technical considerations. However, if the amendment is material, it may not be affected except under unforeseen circumstances or due to emergency reasons and with the consent of the concerned authorities and the Organization.

This shall be without prejudice to the buyer's right to seek compensation or reduce the price equal to the deficit in the size or value of his property unit or its benefit.

## **Article (31)**

### **Completion and Hand Over of Property Units**



A- The Board of Directors shall issue a decision organizing the rules and conditions of completing and handing over the property units to the buyers, including the completion certificate, administrative penalties and financial fines resulting from the developer's default on its obligation to complete and hand over the unit.

B- The developer shall, after completion of the property unit, undertake all acts which are consistent with good faith to register the unit in the buyer's name and hand over to him all the certificates, deeds and documents related to the unit and the common parts and the operation manuals for equipment and fixtures and the warranties for such equipment and fixtures.

C- The buyer from the sub-developer shall have the right to claim from the main developer directly to pay the obligations due from it towards the sub-developer.

## **Article (32)**

### **Sale by the Buyer of His Property Unit**

In case the buyer sells the unit off plan to another person, the administrative expenses charged by the main developer or the sub-developer against the contracting party with the first buyer may not be more than the percentage determined by a decision of the Board of Directors. The provisions of this Law shall apply to the new buyer.

## **Article (33)**

### **Stalling or Suspension of the Off-Plan Sale Project**

A- The Organization may, in case the developer stalls or suspends, on a temporary or permanent basis, the execution of the off-plan sale contract, for any reason whatsoever, after consulting the escrow account's trustee for his opinion, take the necessary measures to safeguard the rights of depositors and the project's creditors to ensure

completion of the project or refund of the amounts to their owners, including referral to the competent court to seek a judgement executing the project with the knowledge of one of the developers at the developer's expense or sell the project and appropriate the sale proceeds to the depositors and the project's creditors.

B- A decision shall be issued by the Board of Directors organizing the cases and reasons for suspension and stalling which allow taking the measures provided for under Paragraph (A) of this Article.

### **Article (34)**

#### **Management and Maintenance by the Developer of the Property Units**

The developer shall manage and maintain the sold units for two years from the expiry date of the execution of the project and handing them over to the buyers against payment of the actual costs together with a percentage not exceeding 5% of such costs as administrative expenses in accordance with the basis and percentage which shall be specified by virtue of a decision issued by the Board of Directors.

### **Chapter Three**

#### **Property Brokerage**

### **Article (35)**

#### **License for the Conduct of Property Brokerage**

A- No person may conduct the property brokerage profession in the Kingdom before obtaining a prior license from the Organization in accordance with the provisions of this Law.

B- The license to engage in the property brokerage profession shall be in accordance with the rules and conditions determined by a decision of the Board of Directors.

C- The decision shall regulate the conditions, controls and procedures for granting, renewing and amending the licenses for conducting property brokerage and its types, classes and validity periods.

D- The licensee shall comply, in conducting the property brokerage, with the limits of the license issued therefor.

## **Article (36)**

### **Property Brokerage Register**

The Organization shall maintain a register called (Property Brokerage Register), which shall be a paper or electronic register in which all particulars and information related to those licensed to conduct the property brokerage profession shall be entered.

A decision shall be issued by the Board of Directors specifying the particulars and information to be entered in the paper or electronic register, and the guarantees to be available in the register to ensure protection of the particulars and information recorded therein and any changes occurring to such particulars or information.

The licensee shall notify the Organization of any change to the particulars and information recorded in the Register within the time limit specified in a decision by the Board of Directors.

The Register shall be available to the general public to access it and obtain certified copies of the information recorded therein or a negative certificate that a certain thing is not included in it, after paying the prescribed fees.

## **Article (37)**

### **Licensee's Obligations and Duties**

A- A decision shall be issued by the Board of Directors organizing the work, obligations and duties of the licensee to engage in property

brokerage, particularly the rules, regulations and requirements to be complied with when creating customers' accounts or administering them or receiving their funds and retaining them, and the registers to be maintained at the licensee's headquarters, as well as the code of conduct which those engaged in property brokerage must comply with.

B- Every licensee who engage in property brokerage shall maintain a record in which all details of property brokerage transactions it has conducted shall be entered, as well as the commissions and amounts charged by it and the value of the transaction and the date of executing it and the personal details of the contracting parties and the earnest money paid to complete it and such other information or particulars specified by a decision issued by the Board of Directors. The licensee shall submit the Register to the Organization to make a notation thereon at the end of every financial year or during the time limit determined by a decision of the Board of Directors. The Organization may maintain a copy of such register.

## **Article (38)**

### **Commission of Property Brokers**

A- The Board of Directors may issue a decision determining the percentage of commissions which the licensee for engaging in property brokerage may charge for property brokerage transactions or some of them, without prejudice to the charges or wages which the licensee has agreed on with the customer.

B- The property broker shall charge his commission equally against the two parties to the contract for which he has mediated to conclude, and each contracting party shall be responsible towards the property broker, without any joint liability for payment of the commission due from him, unless otherwise agreed.

C- The licensee for engaging in property brokerage may not recover the expenses he has spent on brokerage activities unless agreed on this in writing.

D- The licensee for engaging in property brokerage shall not be entitled to his commission unless his brokerage has led to the conclusion of the contract, and he shall be entitled to the commission once the contract is concluded, unless otherwise agreed. If the contract is contingent upon a suspensive condition, the licensee shall not be entitled to his commission unless the condition is fulfilled, all this unless agreed otherwise.

E- Without prejudice to the measures which the Organization may take in pursuance of the provisions of Articles (11) and (12) of this Law, the licensee for engaging in property brokerage activities shall not be entitled to his commission or recover the expenses he has spent on property brokerage activities if he has committed acts prejudicial to the one of the contracting parties or has disclosed information or events about the property which are not true, or has deliberately refrained from disclosing them or he has obtained a benefit or a promise of a benefit contrary to the requirements of good faith and fair dealings.

## **Article (39)**

### **Conflict of Interest**

A- The licensee shall, when conducting property brokerage, disclose to the customer, in writing, whether he or his wife or children or one of his relatives has a direct or indirect personal interest which is in conflict with the requirements of his work.

B- The licensee or any of his subordinate workers may not, when engaging in property brokerage, participate in brokerage in which he or his wife or children has a personal interest, unless he discloses such interest to the other party and obtains a written permission from him

therefor. In such cases, the licensee shall not be entitled to a commission for the brokerage unless agreed otherwise in writing.

C- A decision shall be issued by the Board of Directors organizing all issues related to the conflict of interest and the cases which should be disclosed.

## **Article (40)**

### **Liability Insurance**

The Board of Directors shall specify which types or classes of the licensees for engaging in property brokerage must have insurance policies for the profession's errors, in pursuance of the conditions and controls determined by a decision of the Board of Directors.

## **Chapter Four**

### **Property Valuation**

## **Article (41)**

### **Licensing the Conduct of Property Valuation Activities**

A- No person may engage in property valuation activities in the Kingdom before obtaining a prior license from the Organization in pursuance of the provisions of this Law. A decision determining the conditions, controls and procedures for granting, renewing and amending licenses and their validity dates shall be issued by the Board of Directors.

B- The licensee for engaging in the property valuation activities shall be restricted by the limits of the license issued therefor, and he may not change any of its services without obtaining a prior license from the Organization and paying the prescribed fees therefor.

C- The Board of Directors shall issue the necessary decisions classifying the licenses for the valuation activities into types and categories, according to the type of establishments and their nature, the purpose of

property valuation and the technical basis in estimating the market value of the establishments, as well as the requirements necessary for each of them.

D- Engaging in the property brokerage profession and engaging in property valuation activities may not be combined.

## **Article (42)**

### **Valuers' Register**

The Organization shall maintain a register called (Valuers' Register) which shall be a paper or electronic register in which all particulars and information related to the licensee for practising property valuation activities shall be entered.

A decision shall be issued by the Board of Directors determining the particulars and information to be entered in the paper or electronic register, and the guarantees to be available in the register to ensure protection of the particulars and information recorded therein and any changes occurring to such particulars or information.

The developer shall notify the Organization of any change occurring to the particulars and information recorded in the register within the time limit determined in a decision by the Board of Directors.

The register shall be available to the general public to access it and obtain certified copies of the information recorded therein or a negative certificate that a certain thing is not included in it, after paying the prescribed fees.

## **Article (43)**

### **Real Estate Valuation Licensee's Obligations and Duties**

Without prejudice to paragraphs (b) and (c) of this Article, the Real estate valuation licensee shall perform his work in accordance with the

agreement concluded between the licensee and the contractor determining the obligations and duties of the valuers and the remuneration payable to him for the performance of his work

A decision shall be issued by the Board of Directors organizing the work, obligations and duties of the licensee to engage in property valuation, particularly the rules, regulations, controls and the technical basis to be complied with in the course of conducting the property valuation work and the qualifications to be fulfilled by those engaged in property valuation work for the licensee, and the registers to be maintained at the licensee's headquarters, as well as the code of conduct which those engaged in property valuation must comply with.

Each licensee to engage in property valuation must maintain a record of all the details of the valuation processes he has made, each including the description of the property subject of valuation, its value, the manner in which the valuation was made, and other information or data determined by a decision of the Board of Directors.

## **Article (44)**

### **Conflict of Interest**

A- The licensee or any of those who are working for him shall, when conducting property valuation activities, maintain impartiality and integrity in conducting property valuation, and shall disclose to the customer, in writing, whether he has a direct or indirect interest that conflicts with the requirements of his work.

B- The licensee or any of those who are working for him may not, when conducting property valuation, participate in property valuation activities in which he, or his wife or children, has personal interest, unless he discloses such interest to the other party and he is given a written permission therefor.



C- A decision shall be issued by the Board of Directors organizing all issues related to the conflict of interest and the cases which should be disclosed.

## **Article (45)**

### **Liability Insurance**

The Board of Directors shall determine which types or classes of the licensees for engaging in property brokerage must have insurance policies for the profession's errors, in pursuance of the conditions and requirements determined by a decision of the Board of Directors.

## **Chapter Five**

### **Property Management**

## **Article (46)**

### **Licensing for Management and Operation of Properties**

A- A license to undertake the activities of managing and operating properties shall be in pursuance of the rules and regulations determined by a decision of the Board of Directors. The decision shall organize the conditions, controls and procedures for granting, renewing and amending the licenses and their validity periods.

B- A decision shall be issued by the Board of Directors organizing the work, obligations and duties of the licensees to undertake the activities of property management and operation.

C- The licensee for engaging in property management and operation activities shall be restricted by the limits of the license issued therefor, and he may not change any of its services without obtaining a prior license from the Organization and paying the prescribed fees therefor.

## **Part three**

### **Ownership of common properties**

## **Chapter one**

### **Common Properties**

#### **Article (47)**

##### **Special Register for Common Properties**

A- Common properties and the land on which buildings are constructed, and the common units and parts comprising them shall be registered in the Property Register of the Bureau, and the Bureau shall maintain a register for common properties which shall be a paper or electronic register, in which the following particulars shall be entered:

- 1- The lands owned by the developers, on which common properties shall be constructed.
- 2- The units which are sold by the developers and their owners' names.
- 3- The acts of disposal made involving the unit, such as sale, long term lease contracts, usufruct rights, donation, will, mortgage and such other legal acts of disposal creating, establishing or transferring real rights, or which would lead to the disappearance of any such rights, as well as the final court judgements establishing any such rights, and the declaration of assignment of the rank of registration of the ancillary real rights.
- 4- Any particulars specified by a decision of the Board of Directors in conjunction with the Bureau.

B- The Bureau shall issue the certificates, deeds and any other documents related to the unit based on the details entered in the register, upon the request of the concerned persons, and every interested party shall have the right of access to the register.

#### **Article (48)**

##### **Development of the Common Property Project**

A- In case the common property project is developed in stages, the Main Regulation shall specify the arrangements for division of such project.

B- If the common property is limited to part of any property project, and the Main Regulation of the project does not include how to manage this part of the property project, then the Building Management Regulation must be registered in the Land Register. The Building Management Regulation shall include the terms and conditions related to the management of the building and land in case the building is apportioned, and the plot of land on which it is located, into two parts or more, where each part shall be apportioned in the manner specified by the competent authority and shall constitute part of the building.

## **Article (49)**

### **Gated Community**

A- The Council of Ministers or the designated authority shall, upon a proposal made by the Board of Directors, lay the rules and conditions for considering the property development project of the common property a (gated community), in particular the engineering and architectural requirements and the services necessary to be available and the developers' or owners' obligations towards the property units, including providing infrastructure.

B- A decision shall be issued by the authority designated by the Council of Ministers considering the property development project of a certain common property, which fulfils the rules and conditions referred to under the preceding paragraph of this Article, a (gated community).

C- As an exception from any other law, the competent administrative authorities shall, after taking the opinion of the Board of Directors, issue a decision determining the financial charges and costs for electricity, water and municipal services and such other government services

provided to the units located in the gated communities, with due regard to the quantity of services provided by the competent administrative authorities and the expenses and costs it bears, without prejudice to the provisions of Legislative Decree No. (25) of 2015 with respect to the Collection of the Costs of Constructing and Developing Infrastructure in Construction Areas.

### **Article (50)**

#### **Ownership of Common Properties by Non-Bahrainis**

The provisions of laws related to the ownership by non-Bahrainis shall apply to the ownership of common properties.

### **Article (51)**

#### **The Main Regulation and Articles of Association of the Owners' Union**

A- The site plan, the Main Regulation and the Articles of Association of the Owners' Union shall form part of the title deed of the common property and shall be attached thereto. The Bureau shall maintain the original copy of the Main Regulation at all times.

B- The owner of the unit shall comply, towards the owners and occupants of other units and the Owners' Union, with the Main Regulation and the Articles of Association the Owners' Union.

C- The occupant of the unit shall comply, towards the owners and occupants of other units and the Owners' Union, with the Main Regulation and the Articles of Association the Owners' Union in as much as their provisions apply thereto.

### **Article (52)**

#### **Common Parts of a Property Held in Common**

A- Unless the site plan provides otherwise, the common parts consist of the land and any parts of the common property which are not part of any unit and are allocated for common use by the owners and occupants of the constructed unit in the site plan, and include, in particular, the following:

1- The structural parts of the common property, including mainstays, foundations, columns, structural walls, lintels, ceilings, ceiling joints, entrance halls, stairs, staircases, emergency exits, entrances, windows on the exterior walls, façades, and roofs.

2- Car parks, watchmen's rooms, utilities, recreational equipment, swimming pools, gardens, store facilities and the places allocated for use by the Owners' Union or whoever is appointed by it or with whom it enters into a contract to manage the common property.

3- The equipment and systems of the main utilities, including electric generators, lighting system, gas equipment, cold and hot waters, heating, cooling, air conditioning systems and the utilities used for collection and treatment of waste.

4- Lifts, tanks, pipes, generators, chimneys, fans, ventilation conduits, air pressure units and mechanical ventilation systems.

5- Water mains, sewers, gas pipes and chimneys, electric cables and wires which serve the owners of more than one unit.

6- Fixtures, connections, equipment and utilities used by the owners of more than one unit.

7- Measurement instruments for connection or supply of utility services.

8- Any parts, devices or other installations determined by a decision of the Board of Directors with due regard to the nature of the common property.

B- Unless the site plan provides otherwise, the common parts of the property consisting of a land, and not from a building or part thereof, shall include parts of the common property which are not located within the precincts of any unit and are allocated for common use by the owners and occupants of the units. They shall include the following in particular:

1- Roads, roundabouts, intersections, passages, kerbstones, sewers and the separating islands on roads, bridges and drainage systems and anything connected therewith.

2- Lakes, pools, canals, parks, fountains, water forms and watercourses, including all equipment connected therewith.

3- Green areas, public areas and playgrounds.

4- Wires, cables, pipes, sewers, canals, machinery and equipment through which the units and the common properties are supplied with utility services.

5- Measurement instruments for connection or supply of utility services which are considered to be allocated for common use by the unit owners and occupants.

6- Any parts, devices or other installations specified by a decision of the Board of Directors with due regard to the nature of the common property.

## **Article (53)**

### **Scope of the Unit or Part of the Building**

A- Unless the site plan provides otherwise, each unit in a building or part of a building shall include everything located inside the unit, save for the utility services located in it which serve the common parts or any other unit. The unit shall include, in particular, the following:

1- The floors and the materials and parts of the floor until below the foundation of the joints and the structures supporting the floor of the unit.

2- False ceilings and all types of ceilings and additions which form part of the interior sections of the unit and the spaces between such ceilings as well as the ceilings on top of the supporting walls, structures inside the unit and the separating the unit from the remaining common property and any adjacent units or adjacent common parts.

3- Non-bearing walls and non-supporting walls inside the unit.

4- Windows, glass and fixtures which constitute part of the interior windows, lighting systems, doors and their frames and all equipment and fixtures serving the unit.

5- The interior connections serving the unit.

6- Fixtures erected and installed by the unit owner or its occupant.

7- Additions, alterations and improvements effected to the unit from time to time.

B- Unless the site plan provides otherwise, each unit of a common property which consists of a land, and not building, includes everything located within the precincts of the unit except for the services of utilities which serve the common parties or any other unit.

C- The interior separating walls between the adjacent units shall be common among all owners if they are part of the common parts.

D- Each unit shall have the right to suitable support and compound separate from the other units and common parts.

## **Article (54)**

### **Ownership of Common Parts**

Unless otherwise agreed, the owner of each unit and the developer of the unsold units shall have an undivided share in the common parts in accordance with the percentages specified in the Main Regulation.

The percentages shall be determined based on the size of the unit to the total size of the common property, nature of use of the units and any other criteria provided for in the Main Regulation.

### **Article (55)**

#### **Division of the Common Parts and Disposal Thereof**

Common parts may not, under any circumstances, be apportioned or disposed of, or any parts thereof independently from the units related thereto.

Disposal of the unit shall include disposal of the owner's share in the common parts.

### **Article (56)**

#### **Enjoyment of the Common Parts**

The unit owner and occupant and their guests shall utilize the parts held in common for their intended use and in a manner not prejudicial to the rights of others to use such parts or cause inconvenience to them or jeopardize their safety or the safety of the common property, in accordance with the provisions of the Articles of Association of the Owners' Union.

## **Chapter Two**

### **Disposal of the Units of the Common Property**

#### **Article (57)**

#### **Disposal of the Standing Property and the Owned Units in the Property**



A- The owner of a constructed building may not sell his property units or dispose them unless the property fulfils technical, constructional and architectural conditions specified by a decision of the Board of Directors.

B- The owner of a unit may sell his unit or dispose of it in any form of conveyance.

### **Article (58)**

#### **Division of the Owned Units in the Common Property**

A unit owned in a common property may not be apportioned into two units or more without the consent of the competent authorities.

### **Article (59)**

#### **Leasing Out the Unit**

The owner of the unit may lease out his unit, and he and the lessee shall remain obliged to comply with the Main Regulation and the Articles of Association of the Owners' Union towards the owners and occupants of the other units and the Owners' Union.

### **Article (60)**

#### **Pre-Emption Right**

A- The owner of a unit in common in a common property shall have the right of preference to buy the share of the other owner who wishes to sell it to a person who is not a co-owner. However, if this right is exercised by more than one co-owner, then they shall have the right to buy in proportion to the shares owned by each of them.

B- The pre-emption right shall not rise if the sale is made between the spouses or to the ascendants or descendants or to the brothers or sisters and their descendants or to any company owned by one of them.

### **Article (61)**

## **Use of the Pre-Emption Right**

A- A pre-emption right is indivisible, and so it may not be used or waived except entirely. In case the owners of such right are several, each of them shall use his right in proportion to the shares he owns, and if one of them or some of them waive their rights, such rights shall pass to the others equally.

B- If it is established that the sale has been made on better terms to the buyer than the terms specified in the notice served on the owners of the pre-emption rights, they may claim compensation from the seller before the Court for the damages they have sustained.

C- A decision shall be passed by the Board of Directors organizing the right of pre-emption and the time limits to be observed and the manner of notification of the desire to sell or buy.

D- The provisions set forth in Articles from (860) to (873) of the Civil Code promulgated by Law No. (19) of 2001 shall not apply to the common properties registered in accordance with the provisions of this Law.

## **Chapter Three**

### **Owners' Union**

#### **Article (62)**

##### **Establishment of the Owners' Union**

A- An Owners' Union shall be created by virtue of the law on registering the first sale of a unit in a common property in the Land Register.

B- The Owners' Union shall consist of the owners of the units of the common property, including the buyer under lease to own, the main developer or the sub-developer for the unsold units.

The membership of the unit owner in the owners' union begins on the date the sales contract is notarized in his name

In the absence of a Union administrator, the Organisation may appoint an administrator to manage the owners' Union in accordance with the powers granted thereto by the Organisation, in major real estate projects, tourism projects, hotels, or any of the reasons that the Organisation considers to be in the interest of the project and the owners.

Subject to the provisions of this Chapter, the Board of Directors shall issue a decision to regulate all provisions relating to the Owners' Union, taking into account the nature of the common properties, and ensuring that the minority owners are protected against the domination of an owner or a developer who owns more than half of the common real estate units over the decisions of the General Assembly

One or more main unions may be established consisting of a group of unions in the real estate development project, a central union may be established consisting of a group of main unions in the project, and the Board of Directors shall issue a decision regulating all the provisions relating to the main union and the central union.

## **Article (63)**

### **Acquisition of the Corporate Entity**

A- The Owners' Union is a non-profit organization, and the Union shall have a corporate character independent of its members. It shall have the right to sue in this capacity, and it shall be represented by its Manager before the courts, administrative parties and third parties.

B- The Owners' Union shall have the right to own movable and immovable properties to enable it to carry out the acts necessary to realize its objectives, in pursuance of what is provided for in the Articles of Association of the Owners' Union.

C- There shall apply, in respect of the Owners' Union, the provisions set out in this Law and other orders issued in implementation of this Law as well as the Main Regulation and the Articles of Association of the Owners' Union.

D- Without prejudice to the provisions of this Law, the Owners' Union may, in its name and on behalf of its members, sue third parties, including the owners of the common property units and their occupants if any of them violates any of the provisions of this Law and the Union's Articles of Association.

## **Article (64)**

### **Meetings of the Owners' Union**

A- The owner of a unit and the developer, in respect of the unsold units, shall have the right to attend and vote at the General Assembly meetings of the Owners' Union in accordance with the Union's Articles of Association.

B- General Assemblies Owners' Union may be held through any of the electronic or telephonic means of telecommunications, provided that measures are taken to ensure the following:

- 1- Verification of the identity of the participant at the meeting.
- 2- Enabling the unit owner to fully participate in the meeting, as if he were present at the venue of the meeting. This shall include knowledge of everything discussed at the meeting, giving an opinion and participating in the discussions.
- 3- Recording any statement of vote made by the participant at the meeting in a proper way.
- 4- Any other measures specified by a decision of the Board of Directors.

## **Article (65)**

## **Use of the Term (Owners' Union)**

Each Owners' Union must state, in its letter headed papers and correspondences, the term (Owners' Union) and the name of the property, if any.

## **Article (66)**

### **Management, Operation, Maintenance and Repair of the Common Properties**

A- The Owners' Union shall undertake the responsibility of managing, operating, maintaining and repairing the common parts.

B- The Owners' Union may delegate some of its powers to any person licensed by the Organization in pursuance the provisions of Article (46) of this Law against fees and on terms to be agreed upon.

## **Article (67)**

### **Annual Subscription of the Members of the Owners' Union**

A- Each owner of one of the common property units, as well as the main developer or sub-developer, in respect of the unsold property units, shall pay his share in the annual subscriptions to cover the expenses of managing, operating, maintaining and repairing the common parts and the expenses of insuring them. Such share shall be determined on the basis of the size of the unit to the total size of the common property, nature of use of the unit and any other criteria provided for in the Articles of Association of the Owners' Union.

B- No owner of a unit or main developer or sub-developer may waive his share in the common parts to avoid payment of his share in the annual subscriptions.

C- The Organization may, upon the request of the Owners' Union, and in conjunction with the competent authorities, deduct the annual

subscriptions with any of the fees or against government services, and such deductions shall be deposited in the account of the Owners' Union.

D- Annual subscriptions shall become due from the date of take-over of the unit or after sixty days from the date the unit owner receives a registered notice, with proof of delivery, of take-over of the unit.

E- The Organization may decide a prior date for the maturity of the annual subscriptions and the expenses and costs necessary to establish the Owners' Union.

## **Article (68)**

### **Right of Lien**

A- The amounts due as annual subscriptions of the members of the Owners' Union and any other financial obligations incurred by the owner in accordance with the provisions of this Law and the Articles of Association of the Owners' Union shall have lien over the sold property unit, and the lien shall remain standing even if the title to the unit is transferred to another person.

B- If the unit owner refrains from paying his share in the annual subscriptions of the members of the Owners' Union or any other financial obligations imposed on him in pursuance of the provisions of this Law or the Articles of Association of the Owners' Union, the Union Manager may issue an order obliging him to pay within ninety days from the date of his notification of the decision in a registered letter with a delivery note without envelope. The unit owner may contest such decision within the said time limit before the competent court. In case no appeal is filed within the specified time limit, it shall acquire the force and effect of the executive deed, and it may be executed before the competent Judge of Execution after a notation is made on the order of the executive format by the competent court after verifying the validity of the notice and the

expiry of the time limit for the appeal against the order or a final judgement is passed in respect thereof.

## **Article (69)**

### **Making Alterations to the Unit or to the Common Parts**

A- Without prejudice to the provisions of Article (58) of this Law, the unit owner or its occupant may not make any changes or alterations to the structure or to the exterior appearance of his unit or to any part of the common property so as to materially affect the unit or any of the common parts of the common property or its exterior appearance, unless provided otherwise in the provisions of the Articles of Association of the Owners' Union and the Main Regulation.

B- In case of violation of the provision of Paragraph (A) of this Article, the violator shall be liable to repair the damage caused at his own expense and in the manner required by the Owners' Union. In case the violator defaults on this obligation, the Owners' Union shall repair the damage and recover the repair costs from the violator.

## **Article (70)**

### **Mediation Committees**

The Organization may form mediation committees for conciliation and resolving the disputes amicably among the owners of the common properties or between the Owners' Union and one of its members.

All procedures, rules and fees of the mediation committees and such other issues shall be organized by a decision issued by the Board of Directors.

## **Chapter Four**

### **Developer's Obligations**

## **Article (71)**

## **Developer's Responsibility**

Without prejudice to any provisions governing the contractor's responsibility provided for in other laws, the developer's responsibility shall be as follows:

A- The developer and the consultant bureau shall be held liable for the defects which may appear in the structural parts of the common property which are notified by the Owners' Union or the owner of any unit. The developer's liability shall continue for ten years commencing on the date of his receipt of the completion certificate for the project he has developed.

B- With due regard to the provision of Article (34) of this Law, the developer's liability for ensuring repair or replacement of the defective fixtures in the common property shall continue for one year from the date of receiving the completion certificate for the project he has developed, or part thereof, and such fixtures shall include the mechanical, electrical, plumbing and sanitary fixtures, and the like, all this unless a longer period is agreed upon.

C- The liability of the main contractor, sub-contractor and the consultant bureau may subrogate the developer's liability in respect of the provisions of Paragraphs (A) and (B) of this Article and in pursuance of the resolutions passed by the Board of Directors, without prejudice to the developer's liability.

D- The developer shall have the responsibility of providing infrastructure in respect of the lands which are located in the master plan of the project and are sold to third parties, unless otherwise agreed in writing.

E- The provisions of Article (24) and (25) of this Law shall apply to the funds deposited by the developer and the depositors on account of the infrastructure of the project.



F- Notwithstanding the provisions of Paragraphs (A) and (B) of this Article, there is nothing in this Law that would prevent or affect any rights or guarantees for the unit owner by virtue of any other legislation towards the main developer or sub-developer of the property.

## **Chapter Five**

### **Insurance on the Common Property**

#### **Article (72)**

#### **Insurance on the Common Property**

The Owners' Union shall insure the common property against risks of destruction, demolition or fire or any of the insurance hazards in a way that ensures its repair or reconstruction. and the Union shall be the beneficiary of this insurance in accordance with the rules, conditions and controls determined in a decision by the Board of Directors.

#### **Article (73)**

#### **Liability Insurance**

The Owners' Union shall procure insurance against liability for damages and corporal injuries which may occasioned to the unit owners and occupants if they result from the common property, in accordance with the rules, conditions and controls determined in a decision by the Board of Directors.

#### **Article (74)**

#### **Calculation of Insurance Premiums**

Insurance premiums due from the unit owners shall be calculated as part of the annual subscriptions of the members of the Owners' Union payable to the Owners' Union.

## **Part four**

## **Property acts of disposal**

### **Chapter one**

#### **Acts of Disposal and Rights to be Recorded**

##### **Article (75)**

##### **Registration of Acts of Disposal and Property Real Rights**

A- There shall be registered in the Land Register all acts of disposal creating, establishing or transferring the real property rights, both principal and ancillary, which would lead to the removal of any of these rights, including the acts involving the off-plan sold properties, right of usufruct, utilization and development right, long term lease right, lease to own as well as court judgements establishing such rights. Non-registration in the Land Register shall mean that real rights are not created, established, transferred, changed or removed, neither between the concerned parties nor towards others.

B- The provisions of the land Registration Law shall apply to the registration of acts of disposal provided for under paragraph (A) of this Article.

### **Chapter Two**

#### **Property Real Rights**

##### **Article (76)**

##### **Permissibility of Disposal of the Property Right**

The developer or the property right owner may dispose of the completed or off-plan sold properties using all form of property rights.

The property owner or the property right owner may not change the nature of the property right or exceed the powers granted by virtue of the provisions of the Law.

## **Article (77)**

### **Right of Usufruct**

A- The owner of the usufruct right for more than ten years may depose of it, including mortgage, without the landlord's permission, unless otherwise agreed in writing. The usufruct right owner may not be prevented from disposing of his right except for a strong motive and legitimate reason. The party in whose favour the disposal has been made shall subrogate the usufruct right owner in his rights and obligations, unless otherwise agreed in writing.

C- The property owner or the owner of the property or the property unit may mortgage his property or unit if it entails right of usufruct, and without the permission of the usufruct right owner, unless otherwise agreed in writing.

D- The term of the right of usufruct may not exceed ninety nine years.

E- In case of destruction of the property or the utilized unit, it may be agreed in writing on transferring the right to usufruct to what is equivalent to it as compensation.

F- The right of usufruct shall expire:

- 1- On the expiry of fifty years, unless otherwise agreed in writing.
- 2- On the destruction of the property or utilized unit, with due regard to Paragraph (E) of this Article.
- 3- On the usufructuary's assignment.
- 4- By a final court order terminating the usufructuary's right.
- 5- With the merger of the capacities of the owner and the usufructuary, unless the owner has interest in its existence, such as when the bare is mortgaged.

## **Article (78)**

## **Right to Utilization and Development**

A- The right to utilization and development is a property real right authorizing its owner to construct installations or buildings on the land of a third party for a specified term.

B- The owner of the right to utilization and development owns what he has constructed on land in the form of buildings or installations and may dispose of them with the right of utilization and development, unless otherwise agreed in writing.

C- The owner of the right to utilization and development for a period of more than ten years may dispose of it, including mortgage, without the landlord's permission, unless otherwise agreed in writing. The utilization and development right owner may not be prevented from disposing of his right except for a strong motive and legitimate reason.

D- The party in whose favour the disposal has been made shall subrogate the utilization and development right owner in his rights and obligations, unless otherwise agreed in writing.

E- The landowner may mortgage his land if this entails a right to utilization and development over it, without the permission of the owner of the utilization and development right, unless otherwise agreed in writing.

F- The right to utilization and development shall not expire on the removal of the building or the installations before the expiry of the period.

G- On the expiry of the right to utilization and development, if the owner of the right to utilization and development has constructed a building or installations, the land owner shall have the right, on the expiry of the right to utilization and development, either to claim demolition of the building or removal of the installations or to own what it has been constructed for

the value of demolition or removal, if its demolition or removal will cause damage to his land. If the demolition or removal will not cause damage to the land, the landowner may not keep it without the consent of the owner of the utilization and development right, all this unless otherwise agreed in writing.

## **Article (79)**

### **Long Term Lease Right**

The long term lease contract shall be governed by the same provisions relating to the right to usufruct, unless otherwise agreed in writing.

## **Chapter five**

### **Mortgage**

#### **Chapter one**

### **Scope of Mortgage and its Constitution**

## **Article (80)**

### **Scope of the Mortgage**

A- The provisions of this Part shall apply to the mortgage of properties and property units if they are related to off-plan sale, common property or unit held in common, or utilization and development right, long term lease right, right to usufruct or such other acts of conveyance which are specified by a decision of the Board of Directors.

B- The subject of the mortgage shall be the property in its entirety or a common part therein, or a principal real right or a personal right over an off-plan sold property.

C- The provisions of the Civil Code shall apply to everything in respect thereof there is no special provision in this Part.

## **Article (81)**

## **Constitution of the Mortgage**

A- A mortgage may not be constituted except by an authentic document and after it is registered with the Bureau. Any agreement to the contrary shall be null and void.

B- The expenses of the mortgage deed shall be borne by the mortgagor, unless otherwise agreed.

### **Article (82)**

#### **Mortgagee Creditor**

The Board of Directors may stipulate, in certain types of mortgages subject to the provisions of this Law, that the mortgagee creditor must be a financing institution licensed by the Central Bank of Bahrain to conduct the business of development finance in the Kingdom.

### **Article (83)**

#### **Mortgagor**

Without prejudice to the provision of Article (98) of this Law, the mortgagor must own the mortgaged property or the mortgaged property deed and qualified to dispose of it.

The mortgagor may be the same debtor or real surety providing mortgage in favour of the debtor.

### **Article (84)**

#### **Object of the Mortgage**

A- The mortgaged property or the mortgaged property unit must be standing and actually or constructively located on the map when it is constituted.

B- The mortgage may not be constituted except on an immovable property or a property unit which may be validly dealt in and must be saleable independently by public auction.

C- The mortgaged property or property unit must be specifically and precisely described as regards its nature and location either in the mortgage deed itself or in an official contract subsequently concluded, or else the mortgage shall be void.

D- The mortgage shall extend to the accessories of the mortgaged property or property unit, including buildings, plantations and properties which are specified, and all constructions which are subsequently carried out after the conclusion of the mortgage deed, unless otherwise agreed.

## **Article (85)**

### **Consideration for the Mortgage**

The mortgaged debt must be specified and established as a debt, and it may be a future, contingent or conditional debt, or it may be granted to secure an opened credit or the opening of a current account, provided that the amount of the debt secured, or the maximum amount which such debt may reach, must be specified in the mortgage deed.

## **Chapter Two**

### **Legal Effects of the Mortgage**

## **Article (86)**

### **Disposal of the Object of the Mortgage**

The mortgagee creditor may stipulate for the mortgagor not to dispose of the mortgaged property or property deed by any type of conveyances or secure a real right on it save after obtaining his consent.

The condition shall not be valid unless it is based on a strong motive and legitimate reason.

## **Article (87)**

### **Nullity of the Mortgage Conditions**

Any agreement shall be void, even if concluded after the constitution of the mortgage, which authorizes the mortgagee creditor, in case of non-payment of the debt when it is due, to acquire the mortgaged property or property unit, or to sell it without observing the formalities prescribed by the law.

However, it may be agreed, after the debt or one of the instalments of the debt has fallen due, for the debtor to assign to the mortgagee creditor the mortgaged property or property unit in discharge of his debt.

## **Article (88)**

### **Management of the Mortgaged Property**

A- The mortgagor shall have the right to manage the mortgaged property and collect the fruits and all proceeds thereof until such time as a notation of distraint is appended to the deed of the mortgaged property or the mortgaged property unit.

B- The Court may order that an attachment be placed on the proceeds of the mortgaged property or the mortgaged property unit with effect from the date of filing the case for enforcing the mortgage if it discovers that the mortgagor is procrastinating in paying his debt in prejudice to the mortgagee creditor.

## **Article (89)**

### **Destruction or Deterioration of the Mortgaged Property**

If the mortgaged property or the mortgaged property unit is destroyed or if it deteriorates for whatever reason, the mortgage shall be transferred, in its order of priority, to the right obtained as a result of such destruction



or deterioration, such as compensation, monies paid on account of insurance or payments on account of acquisition for public benefit.

## **Article (90)**

### **Execution Against Funds of the Non-Debtor Mortgagor**

If the mortgagor is a person other than the debtor, only his mortgaged property, in exclusion of his other property, may be processed against. and the mortgagor may not demand recourse against the debtor before the debtor's property is processed against, unless otherwise agreed.

## **Article (91)**

### **Assignment of Mortgage**

A- The mortgage shall not be effective against third parties unless its deed is transcribed in accordance with the provisions of this Law before such third party acquires a real right over the property.

B- The mortgagee creditor may transfer his right secured by the mortgage to another person provided that the mortgagor consents thereto and the assignment deed is registered with the Bureau.

C- The mortgagee creditor may assign the order of priority of his debt to the extent of his debt to another creditor over the same mortgaged property. and in this case the assigning mortgagee creditor and the assignee shall substitute the other creditor.

## **Article (92)**

### **Value of the Mortgage**

The effect of the mortgage shall be limited to the amount specified in the mortgage deed, unless the Law or an agreement provides otherwise.

## **Article (93)**

## **Right of Preference**

Mortgagee creditors shall be paid their rights before ordinary creditors out of the proceeds of sale of the mortgaged property or the mortgaged property unit or out of the monies obtained in substitution thereof, in the order of the rank of their transcriptions, even if they effected their transcriptions on the same day.

## **Article (94)**

### **Determining the Rank of the Mortgage**

The rank of the mortgage shall be determined by the serial number of transcriptions with the Bureau. If several persons applied, at the same time, to transcribe their mortgages against one debtor and over one property, the transcription of such mortgages shall be under one number, and these creditors shall be considered of the same rank of priority.

## **Article (95)**

### **Right of Tracing of the Mortgaged Property**

A mortgagee creditor may, upon maturity of the debt, trace the mortgaged property in the hand of any third party holder to recover his debt, after serving a summons on him to pay the debt, unless this third party holder opts to pay the debt or to redeem the mortgage or abandon the property. Any person to whom ownership of the property has been transferred after the mortgage, or he acquires any other mortgageable right in rem over the property without being personally responsible for the debt secured by the mortgage, shall be considered a holder of the real estate..

## **Article (96)**

### **Securing the Mortgaged Property**

The mortgagor shall secure the mortgaged property and he shall be liable for its safety fully until the date the debt is satisfied.

The mortgagee creditor may object to every decrease in his security and take the legal measures necessary to safeguard his right, provided that he takes recourse against the mortgagor for the expenses.

## **Article (97)**

### **Extinguishment of the Mortgage**

The mortgage shall be extinguished:

1- When the secured debt is extinguished, and shall be revived, together with the debt, if the cause by reason of which it has been extinguished disappears, without any prejudice to the rights a bona fide third party has acquired in the interval between the extinguishment of the right and its revival.

2- If the proceedings of freeing the property are completed, the mortgage shall be finally extinguished even if the ownership of the third party holder who proceeded with the freeing formalities disappears for any reason whatsoever.

3- If the mortgaged property is compulsorily sold by public auction, whether against the owner of the property, the third party holder or the receiver to whom the abandoned property has been delivered on abandonment, the mortgage rights encumbering the property shall be extinguished by the deposit of the purchase price or by payment of this price of the awarded auction to the inscribed creditors who, by virtue of their rank, shall be entitled to receive their rights out of this price.

## **Chapter Three**

### **Specific Mortgages**

## **Article (98)**

## **Mortgage of Real Rights**

Notwithstanding the provisions of Paragraph (B) of Article (77) and Paragraph (D) of Article (78) of this Law, the owner of the right in rem over the property or the mortgaged property, such as the right to usufruct, utilisation and development right or long term lease may, if its term is more than ten years, mortgage the benefit from the property or the property unit utilized by way of mortgage for the period of the usufruct, utilisation and development right or long term lease.

The Board of Directors may amend the mortgage term by a decision issued by it.

### **Article (99)**

#### **Extinguishment of the Mortgage on the Real Right**

The mortgage of the right in rem shall be extinguished and the entries shall be deleted from the Bureau's records on the expiry of the mortgaged debt or on the expiry of the period of this right in rem.

### **Article (100)**

#### **Mortgage of Off-Plan Sold Units**

A buyer of off-plan sold property units may mortgage them to satisfy the price of purchase of the property unit, provided that such units or properties are registered in the Off-Plan Sale Registry, and the mortgagee creditor shall pay the debt amount in the project's account.

## **Chapter Four**

### **Procedures of Enforcement Against the Mortgaged Property**

#### **Article (101)**

#### **Initiation of Enforcement Procedures Against the Mortgaged Property**

The mortgagee creditor or his universal or particular successors may initiate enforcement proceedings against the mortgaged property and sell it if the debt is not paid on its due date, or if a condition is fulfilled whereby the date falls due before the lapse of such date, provided that the debtor, guarantor or holder of the property is served a notice, by a registered letter with a delivery note, thirty days before the enforcement application is filed with the competent Judge of Execution.

## **Article (102)**

### **Sale of the Mortgaged Property by Public Auction**

In case the mortgagor or his universal or particular successors default on payment of the debt during the time limit set forth under Article (101) of this Law, the competent Judge of Execution shall, upon the demand of the mortgagee creditor, issue an order attaching the mortgaged property as an introduction to sell it by public auction in pursuance of the rules and procedures issued by an order of the Minister concerned with Justice Affairs in conjunction with the Chairman of the Board of Directors and shall be published in the Official Gazette.

## **Article (103)**

### **Deferment of the Sale of the Mortgaged Property by Public Auction**

With due regard to the provision of Article (102) of this Law, if the debtor or his real guarantor requests the competent Judge of Execution to defer sale by public auction, the Judge may entertain this request to defer sale for a period not exceeding sixty days one time only if he discovers that it is possible that the mortgagor will pay the debt due from him if he is granted this request, or that the sale of the mortgaged property or the mortgaged property unit may cause severe damage to the debtor.

## **Article (104)**

### **Completion of Sale of the Property by Public Auction**

Without prejudice to the provisions of Article (101), (102) and (103) of this Law, if the debt is not paid within the specified time limit, the mortgaged property or the mortgaged property unit shall be sold by public auction within a period of not more than thirty days from the date of expiry of the time limit referred to in such articles, as the case be.

### **Article (105)**

#### **Payment of the Debt out of the Mortgaged Property's Price**

The mortgagors' debts shall be paid out of the price of the property unit or the property or out of the funds which have replaced it according to the rank of priority of each of them, even if they have made the inscription on the same day. If the sale price is not sufficient to satisfy the debt, the creditor may claim the balance from the debtor.

### **Chapter six**

#### **Criminal Liability**

### **Article (106)**

#### **Penalties**

A detention term of not more than two years, and a fine of not less than one thousand Bahraini Dinars and not more than fifty thousand Bahraini Dinars or either, shall be imposed on:

- 1- Every person who sets up or manages an establishment to conduct property development activities or projects without obtaining a license thereof.
- 2- Conducts property sector and property development activities without obtaining a license therefor.
- 3- Sells or offers for sale an off-plan unit without registering it in the Off-Plan Sale Registry.

- 4- Knowingly sells an off-plan property unit to more than one buyer without any right.
- 5- Invites the public, using any means, to advertise or promote the sale of off-plan property units in contravention of the provision of Article (28) of this Law.
- 6- Obtains a license from the Organization using fraudulent means.
- 7- Submits to the Organization false or misleading information contrary to what is established in the registers, statements or documents under his disposal.
- 8- Conceals from the Organization any information, particulars, registers or documents which he must provide the Organization with or enable it to access them to carry out its functions prescribed under this Law.
- 9- Causes obstruction or delay to the work of the Organization's inspectors or any investigation which the Organization is in the process of conducting.

## **Article (107)**

### **Corporate Liability**

Without prejudice to the criminal liability of the natural person, the legal person shall be criminally punished if any of the crimes provided for in Article (106) of this law is committed in his name, for his account, or for his benefit, as a result of conduct, omission, approval, concealment, or gross negligence of any board member or any other authorized official - in that legal person - or who acts in this capacity, with a fine of not less than two thousand Bahraini Dinars and not exceeding one hundred thousand Bahraini Dinars.

## **Chapter seven**

### **Miscellaneous Provisions**

## **Article (108)**

### **Fees**

A decision shall be issued by the Council of Ministers, upon the submission of the Board of Directors, fixing the categories of fees due for the services, applications and licenses issued in pursuance of the provisions of this Law.

The Council of Ministers may, upon the submission of the Board of Directors, determine the proceeds of the fees on the basis of the licensee's total income accrued as a result of this license, provided that the parentage of such fees shall not exceed 1% of the total annual income referred to.

## **Article (109)**

### **Rectification of the Status**

Property developers, property brokers, property values and those licensed to manage and operate properties, who are existing at the time when this Law comes into force, shall rectify their status in pursuance of its provisions within a period not exceeding six months from the date it comes into effect.